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MEMORANDUM

ON

THE COMMERCIAL RELATIONS,

PAST AND PRESENT,

OF

THE BRITISH NORTH AMERICAN PROVINCES

WITH

THE UNITED STATES OF AMERICA.

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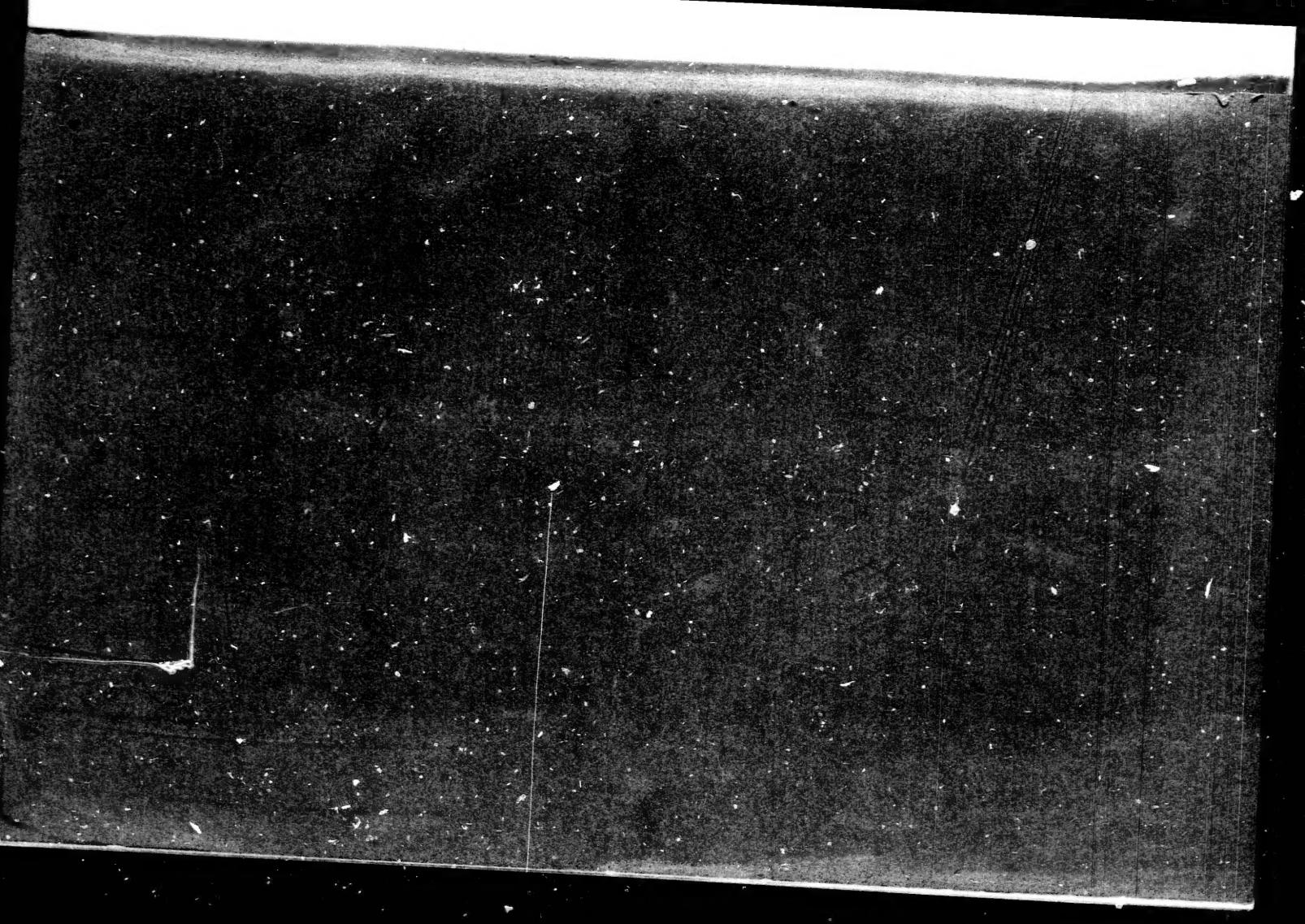

MEMORANDUM

ON THE

Commercial Relations, past and present, of the British North American Provinces with the United States of America.

The undersigned, Joint Plenipotentiaries of Her Britannic Majesty, with full powers for the negotiation and conclusion of a Treaty with the United States relative to Fisheries, Commerce and Navigation, deem it fitting that, at the outset of the negotiations with which they have been charged, they should submit for the consideration of the Secretary of State some suggestions in regard to the commercial relations between the United States and the Canadian Dominion, which may not be unworthy of attention.

All the figures used in this memorandum are taken from the official documents of the United States Government, except when otherwise stated.

When the British North American Provinces or Canada are spoken of, all the Provinces now composing the Dominion, and also the Island of Newfoundland, are included therein.

An impartial examination of the commercial relations that have existed between the United States and the British North American Provinces for the last fifty years, cannot fail to establish, we venture to think, beyond all doubt, that the traffic between them has been exceedingly valuable to both countries, but that the United States have,

from first to last, reaped greatly the largest advantage from it.

In the twelve years from 1821 to 1832 (both years inclusive) the United States official records show that the exports of the United States to the British North American Provinces were of the aggregate value:

In home products, of	$30,997,417
In foreign products, of	403,909
Total United States exports	$31,401,326
And that the entire imports of the United States in the same period from the Provinces were but	7,684,559
Leaving a balance of trade in favor of the United States of no less than	$23,716,767

In the thirteen years following the above period, (1833 to 1845,) the same state of things is found, with a steady increase of the aggregate traffic. The exports of the Republic to the British North American Provinces were:

Of domestic products	$54,082,537
Of foreign products	4,640,332
Total United States exports (1833 to 1845)	$58,722,869
And the imports of the Republic from the Provinces were but	23,356,275
Leaving a balance in favor of the United States of	$35,366,594

TRANSPORTATION IN BOND.

In 1846 we enter upon a period when the United States Government, after very many years of earnest effort, succeeded in obtaining from Great Britain a relaxation of the old restrictive navigation laws in regard to the British Colonies. With it came the international drawback system for the encouragement of overland transportation to and from the Atlantic Ocean without payment of duties. Although this

measure only extended to the transport of merchandise, it is instructive to observe the immediate and remarkable effect it had on the direct transactions between the Republic and the Colonies. The aggregate imports and exports between the countries immediately rose from $8,074,291, in the year 1845, to the following figures:

1846.	Aggregate import and export trade---	$9,344,150
1847.	" " ---	10,329,470
1848.	" " ---	12,029,122
1849.	" " ---	10,931,147
1850.	" " ---	15,193,497
1851.	" " ---	18,708,045
1852.	" " ---	16,619,315
1853.	" " ---	20,691,360
	Total----------	$113,846,106

Thus, while from 1821 to 1832 the aggregate annual traffic between the countries averaged $3,257,153, and from 1833 to 1845, $6,313,780 per annum—under the influence of a more liberal policy the traffic rose, from 1846 to 1853, to no less an average than $14,230,763 per annum.

And the balance of trade still preponderated enormously to the advantage of the United States. In these eight years the Republic exported to the Provinces—

Of home products----------	$55,072,260
Of foreign products----------	22,020,254
Total United States exports (1846 to 1853)--	77,092,514
While the imports of the Republic from the Provinces were but----------	36,753,592
Leaving in favor of the United States, on eight years' transactions, the vast balance of------	$40,338,822

But, in addition to this direct interchange of merchandise, with its great preponderance in favor of the Republic, a large amount of the import and export traffic between Great Britain and the Provinces now began to be carried in bond over the canals and railways of the United States

to Atlantic or inland ports, and thence dispatched to their ultimate destinations in American ships and steamers—vastly to the gain of the Republic, and without any corresponding advantage to the Provinces.

THE RECIPROCITY TREATY.

The great success that thus attended this first partial experiment of reciprocal liberality in commercial intercourse between the two countries, led directly and easily to proposals for the much more decided measure of an interchange of the natural products of the two countries free of customs-duty. For a number of years the subject was keenly debated in all its bearings; and it is instructive to look back on the record of those discussions, and observe the long list of distinguished American statesmen who were warm advocates of the measure.

The Reciprocity Treaty of 1854 was signed on 5th June of that year, by Mr. Marcy, on behalf of the United States, and by the late Lord Elgin, as representative of Great Britain. Its happy effects were felt instantaneously; and it is only necessary to refer to the speeches and papers of the able men of all parties in both countries who promoted the measure, and to analyze the official returns of its operation while in force, to arrive irresistibly at the conclusion that its results greatly surpassed the most sanguine anticipations of its originators and advocates.

The Treaty may be said to have been thirteen years in operation; for though nominally it began late in 1854 and ended early in 1866, the traffic was pushed with such energy during the months of its operation in these two years, as to place them on an equality with the other years.

To obtain a just appreciation of the value of the traffic between the Republic and the Provinces during the thirteen years' operation of the Treaty, it is necessary to keep in mind that the Civil War in the States in the last four years of the Treaty's existence enhanced the value of commodities, and so deranged the industrial interests of the Republic as to give the Provinces a temporary advantage

in the traffic, forbidding any fair deduction from it as to the ordinary course of trade in times of peace. In one year (1865–'66) at the end of the war the exports of British North America to the United States rose, according to the United States Official Records, to $54,714,383.

However profitable this casual advantage may have been to the Provinces, it can hardly be regarded as an objection to the Treaty that in time of war, when the American husbandman was debarred from tilling his fields, the necessities of life were largely supplied under it without the addition of onerous customs-duties and custom-house restrictions. Assuredly, had the Treaty not then been in existence, every ton of these supplies, under the pressing urgency of the case, would have found its way across the lines, probably with little reduction of profit to the producer, but great increase of cost to the consumer.

The grand fact remains that, under the operation of the reciprocity treaty of 1854, the aggregate interchange of commodities between the Republic and the Provinces—to promote which the treaty was concluded—rose from an annual average of $14,230,763 in the previous eight years, to $33,492,754, gold currency, in the first year of its existence; to $42,942,754, gold currency, in the second year of its existence; to $50,339,770, gold, in its third year; and to no less a sum than $84,070,955, at war prices, in its thirteenth year.

And notwithstanding the anomalous character of the circumstances arising from the existence of Civil War during so considerable a portion of the Treaty's existence, by which the imports from the Provinces were greatly increased in volume and value, and the exports to the Provinces as naturally reduced in quantity, the balance of trade, during the existence of the treaty, was largely in favor of the United States. In the thirteen years of its operation, the Provinces purchased from the Republic commodities, according to the United States returns, to the value of $346,180,264, and the Republic purchased from the Provinces $325,726,520, leaving a gross cash balance in favor of the United States

of $20,454,246. But the balance was in fact much larger than this. During the first ten years of the Treaty, the transactions between the countries showed a clear balance in favor of the United States of $62,013,545. That balance appears, from the United States Returns, to have been reduced, by the operations of the following three years, to the amount of $20,454,246; but this arose, no doubt, from the inflated values at which the importations into the United States from the Provinces were made under the Treaty, during the War—there being no customs-duty to necessitate accuracy and every temptation to over-valuation on the part of the importer. According to the official returns of the several British Provinces, (which are accurately kept,) the Provinces purchased from the Republic, during the thirteen years in question, commodities to the aggregate value of $359,667,257, gold valuation, and the Republic purchased from the Provinces $197,056,257, in same valuation, leaving, as the sum total of the results of the Treaty of 1854, an aggregate international traffic of $623,437,525, and a gold balance in favor of the Republic of $95,796,989.

TRAFFIC WITH CANADA IN COMPARISON WITH OTHER STATES.

The importance of the Canadian traffic under the reciprocity Treaty can be most clearly seen, perhaps, by a comparison of it with the transactions which the Republic had with other foreign countries during the same years. The total exports of the United States from 1854 to 1866 (both years inclusive) amounted to upwards of four thousand millions of dollars. Of this vast export traffic—

England and her possessions took	$2,769,974,538
France and her possessions took	453,993,996
Spain and her possessions took	265,893,221
Germany took	207,308,647
	$3,697,170,402

And all the rest of the world took the balance.

Of the above exports, Canada's share, as we have already

seen, was $346,180,264—an amount equal to the aggregate exports taken from the United States in the same years by China, Brazil, Italy, Hayti, Russia and her possessions, Venezuela, Austria, the Argentine Republic, Denmark and her possessions, Turkey, Portugal and her possessions, the Sandwich Islands, the Central American States and Japan, all put together. In marked contrast to this, however, the United States imported from these countries, in the same years, to the amount of $538,523,386, leaving a cash balance to be paid to them by the Republic of $192,109,610, while Canada paid over to the States a cash balance of $95,796,989 in gold.

CHARACTER OF TRAFFIC UNDER THE TREATY.

The character of the commodities purchased from the Republic by the Provinces during the existence of the Reciprocity Treaty is also worthy of special note. In the thirteen years of its operation the total purchases by the Provinces of United States home productions and of foreign articles imported by United States merchants, were as follows:

Animals and their products	$35,433,213
Breadstuffs	112,058,473
Other farm products	3,242,982
Timber	8,511,488
Manufactures	88,649,855
Miscellaneous	24,044,977
Total home productions	$271,940,988
Foreign commodities bought from the merchants of the United States and imported into Canada	62,379,718
Total purchases	$334,320,706

From this it will be seen that not less than $151,029,573 of manufactured goods were purchased from the United States by the Provinces under the operation of the Reciprocity Treaty.

TRANSPORTATION TRAFFIC UNDER THE TREATY.

Did nothing more, therefore, than the volume of traffic between the countries and the comparative contributions of each country to it, enter into the question of the relative advantages derived from the Treaty by each, no doubt could exist as to the United States having reaped much greater profit from the Treaty of 1854 than the Provinces. But there is another very important branch of the account. The transportation traffic sent to and brought from foreign countries by the Provinces, in bond, over the railways and canals, and in the ocean ships and steamers trading from United States ports, rose under the operation of the Treaty to an importance secondary only to the traffic in domestic productions. Previous to the negotiation of the Treaty this traffic had assumed considerable dimensions; but the vast increase that occurred under its operation must have drawn very large gains into the coffers of the Republic, and indirect advantages quite as valuable as the direct ones. No official returns of the goods thus passed over the United States seems to have been preserved until the fiscal year 1867–'68; but from the Returns since published we can form some idea of the great profit that must have accrued to the Republic while the Treaty was in force. These Returns thus state the values of the foreign exports that passed over the United States *in transitu* during the past six years:

1868.	Total United States transit traffic	------	$21,515,604
1869.	"	" ------	21,095,984
1870	"	" ------	23,191,860
1871.	"	" ------	25,375,037
1872.	"	" ------	31,285,320
1873.	"	" ------	40,099,185
	Total transit traffic	----------	$162,662,990

Of this vast traffic, $115,241,704 consisted of merchandise imported by the Provinces from other countries and carried over United States railways and canals into Canada;

and $48,556,557 of it consisted of produce exported abroad from the Provinces *via* the United States. The fact that these two amounts appear to make unitedly more than the whole aggregate of the United States transit trade, arises from shipments made from one part of Canada to another, and consequently appearing in the list of goods going into the United States, as well as in that of goods sent out from the United States. Nearly the whole of the traffic *in transitu* of the Republic in these six years, was either sent from or sent to the British Provinces. And from its volume in these recent years, we may form some idea of its great extent under the operation of the treaty, when colonial facilities for transportation were so different from what they now are.

The value of so vast a carrying trade is not easy to arrive at. Dr. Young, the able chief of the United States Bureau of Statistics, recently stated that inward ocean freights on goods "vary from 100 per cent. on [the value of] salt and some other bulky articles, to two or three per cent. on dress goods," and that the "average on merchandise alone is not much less than eight per cent." Now, if the ocean freight on ordinary merchandise is eight per cent., how greatly more must be the percentage of overland freights; and how infinitely greater must be the percentage on the value of farm produce than on ordinary merchandise? If it is further considered that on the transit traffic to and from Canada, inland and ocean carriage have both to be paid for, and that a large proportion of the commodities are heavy and bulky, it will at once be seen what a fertilizing stream is poured by the merchants of the Dominion over the railways, canals, steamships, commission agents, and port cities of the Republic, even from the limited share of their traffic now sent *via* the United States, under a policy of severe restriction.

SPECIAL PRIVILEGES UNDER THE TREATY.

Nor was it merely from the vast interchange of commodities and the great carrying trade in bond that the United

States reaped their golden annual harvest from the Treaty of 1854. It must not be forgotten that, by virtue of that Treaty, the Canadian canals and the navigation of the St. Lawrence were thrown open to the ships and commerce of the United States, on precisely the same footing as to those of the Canadian people, who had spent vast sums in their construction. How largely the Republic profited by this concession, the enormous amount of American merchandise passed through the Canadian canals in American bottoms, at tolls so low as to do little more than defray the cost of attendance and maintenance, the public records of both countries amply establish. The sole return made to the Provinces for this concession was the permission to navigate Lake Michigan, and the promise of the United States Government to urge upon the State Authorities of the Republic to extend to the Provinces the same free use of the American canals as they had extended to the Republic. This promise never bore any fruit.

THE ST. LAWRENCE COAST FISHERIES FREE UNDER THE TREATY.

But the crowning concession enjoyed by the United States, under the conditions of the Reciprocity Treaty of 1854, was the free use of the priceless coast fisheries of British North America. For this concession the able statesmen who represented the thirteen States in the peace settlement at the close of the revolutionary war, struggled long and earnestly. To secure this much valued possession, all the skill of American diplomatists, persistently employed for three-quarters of a century, was exerted in vain. Under the treaty of 1818, the right to the sea-fisheries of the Gulf of St. Lawrence was resigned to the United States; but not until 1854, and then only as part of the Reciprocity Treaty, and terminable with it, did they obtain access to the most valuable portion of the fisheries, namely, those within three miles from the coast, bays and creeks of the Provinces. What the value was to the United States of this concession it would not become us to discuss while an arbitration to determine the compensation to be

paid Canada for twelve years' further enjoyment of it is pending, under the provisions of the Treaty of Washington. But, as illustrative of the enormous preponderance of advantages reaped by the United States under the Treaty of 1854, we may perhaps be permitted to quote one or two extracts from the reports of two commissioners, specially appointed by the United States Government to inquire and report on the subject of Reciprocity, as to the value of this one item in the balance of the international account:

"Without participation in the sea-fisheries near the shores of the colonies, our deep sea-fisheries in that region will become valueless." *J. D. Andrews' Report, page* 35.

"England possesses no nursery for seamen at all equal to her North American colonial trade." *Ibid.*

"The average number of French seamen engaged in the cod fishery [of the Gulf of St. Lawrence] from 1841 to 1850 was 11,500, and the average bounty paid annually was 3,900,000 francs, ($780,000,) equivalent to $\$67\frac{60}{100}$ for each seaman. France trains up in this manner able and hardy seamen for her navy, who would cost the nation much more if they were trained on ships of war." *Ibid.*

"The United States tonnage engaged in 1862 in the cod fishery was 122,863 tons, in the mackerel fishery, 80,596 tons: aggregate 203,459 tons. The returns of fish and oil from this tonnage for 1862 considerably exceeded $14,000,000." *E. H. Derby, page* 42.

"Seamen (United States) in fisheries in 1862, 28,048. * * * The fisheries break in at least 5,000 new seamen annually. * * * Six hundred sail have, in a single season, fished for mackerel in the Gulf of St. Lawrence and Bay of Chaleur, and taken fish to the amount of $4,500,000. * * * Nearly one fourth of our fishing fleet, with a tonnage of 40,000 to 50,000 tons, worth $5,000,000 to $7,000,000 annually, fish near the three-mile line of the Provinces." *Ibid.*, p. 44.

REPEAL OF THE TREATY.

Such was the Treaty of 1854, which the United States terminated in 1866, on the ground that the advantages from it were all on the side of the Provinces, and against the Republic. Well might the Commissioner of the United States Treasury, (Mr. Derby,) writing regretfully of the repeal, use these words: "It quintupled our trade with the Provinces, gave an impulse to public improvement, and utilized the new canals, railways, and other avenues of commerce." And he might as truly have added: "Had the Provinces retaliated in the same spirit, it would have lost us the enjoyment of the shore fisheries of the maritime provinces, the use of the Canadian canals, and the naviga-

tion of the St Lawrence river, all of which we enjoyed without consideration."

Fortunately the Provinces did not act in the same spirit. They thoroughly believed in the practical good sense of the United States people—especially with such a balance sheet to look back upon as the results of the Treaty of 1854 present. They assumed that there were matters existing in 1865–'66 to trouble the spirit of American statesmen for the moment, and they waited patiently for that sober second thought which was sure ere long to put all things right.

Immediately on the repeal of the Treaty, customs duties were imposed by the United States on nearly all the articles imported under it from the Provinces. The Canadian tariff was very little changed, and, as will be presently shown, a large preponderance of the exports from the United States into the Dominion are still admitted free of duty. The use of the Canadian canals was continued to American shipping and commerce on precisely the same terms as to those of Canada. The free navigation of the river St. Lawrence was still left open to American craft, and the shore fisheries of the St. Lawrence were thrown open from year to year to American fishermen, on payment of a small license fee.

EFFECT IN CANADA OF THE ABROGATION OF THE TREATY.

The industry of Canada had been largely directed to the supply of the American market with commodities for home consumption, as well as for foreign exportation, and the repeal in 1866 of the Reciprocity Treaty, under which so vast a trade had grown up, rendered imperatively necessary prompt measures to open new markets for the sale of Canadian produce. These measures were at once taken. Under the influence of the formal notice given by the United States in 1865, of their intention to terminate the Treaty, federation of the Provinces, then under discussion, was hurried on, and became a *fait accompli* within fifteen months after its repeal. The Intercolonial railway was at once under-

taken, at a cost of over $20,000,000, at the national expense, to secure direct connection to and from the Atlantic ocean, at Halifax and St. John, on Canadian soil; and the last section of that road will shortly be opened for traffic. Commissioners were despatched to the British and other West India islands, and to South American States, to promote the extension of direct trade between them and the Dominion. The enlargement of the canals, the improvement of the navigation of the lakes and river St. Lawrence, the construction of the Bay Verte canal, to connect the waters of the Bay of Fundy and the St. Lawrence, the subsidizing of ocean and river steamship lines, and the promotion of the great ship-building and fishery interests, all received a new and vigorous impetus.

These measures were attended with remarkable success. Only seven fiscal years have passed since the repeal of the Treaty, but already the loss inflicted by it has been more than made up, and excellent outlets in new directions opened for Canadian commerce; with an increasing annual proportion of the vast carrying trade formerly done for the Provinces by the railways, canals, and steamships of the Republic, transferred to Canadian hands. The traffic between the United States and the Provinces at once fell, from an average during the three years before the repeal, (according to American official statistics,) of nearly $75,000,000 *per annum*, to an average of $57,000,000 *per annum* during the first three years following repeal;—the act of confederation, too, removed from the category of Foreign Commerce to that of Home Consumption, the large interchanges of commodities between the several sections of the Dominion; and the aggregate foreign commerce of the Provinces consequently fell in the first year after the repeal of the Treaty to $139,202,615 from $160,409,455 in the previous year. As will be seen from the following statement, however, the trade of the Dominion speedily recovered from the blow, and the volume of its Foreign Commerce gradually increased until, in the seventh year from the repeal of the Treaty, it reached the great sum (for a

people of four millions) of $235,301,203,—being seventy-five millions higher than it had ever reached in any year of the treaty's existence:

1867.	Total exports and imports of Canada and Newfoundland	$139,202,615
1868.	" "	139,595,615
1869.	" "	142,240,897
1870.	" "	161,275,538
1871.	" "	184,852,006
1872.	" "	205,339,943
1873.	" "	235,301,203
	Total Foreign Commerce in seven years	$1,207,807,817

INJURIOUS EFFECT OF REPEAL ON UNITED STATES TRADE.

The traffic between the United States and the Dominion still retained large proportions, notwithstanding the barriers now raised against it. The aggregate imports and exports which immediately before the repeal had been (according to the United States returns) $67,909,162 in 1864, $71,374,816 in 1865, and $84,070,955 in 1866, fell immediately after the repeal to $57,927,347 in 1867, $56,624,493 in 1868, and $56,287,546 in 1869. But there the falling off stopped. The volume of traffic then began steadily to reascend, and reached $67,939,125 in 1870, $71,927,077 in 1871, $73,720,512 in 1872, and $82,381,626 in 1873,—or within two millions of dollars of the highest point reached during the Treaty's operation. The aggregate traffic between the countries in the seven fiscal years since repeal was $466,807,726.

But large as this volume of trade is, it is instructive to observe how small a proportion of the foreign commerce of Canada this now forms, in comparison with the share of it enjoyed by the United States while the Treaty was in operation. During its thirteen years' existence the aggregate exchange of commodities between the countries averaged 46 per cent. of the entire Foreign Commerce of the Provinces; and in its last year the average had reached

not less than 52½ per cent. of their entire commerce. But since the repeal the case is totally altered. The proportion of the foreign commerce of Canada transacted with the United States from 52½ per cent. in 1866, fell, in 1867, to 42 per cent.; in 1868, to 41 per cent.; in 1869, to 40 per cent.; in 1870, to 42 per cent.; in 1871, to 40 per cent.; in 1872, to 36 per cent.; and in 1873, to 35 per cent. The average proportion of the commerce of the Provinces has been since the repeal but 38½ per cent., against nearly 50 per cent. in the last five years of the Treaty. Had the Treaty not been abrogated in 1866, and the percentage of Canadian traffic with the States risen no higher than it did under the Treaty, the interchange of commodities between the countries in the last seven years would have aggregated six hundred millions of dollars.

CHANGED CHARACTER OF THE TRAFFIC SINCE REPEAL.

But it is not only in the dimunition of commerce that the United States have suffered by the abrogation of the Treaty. The changed character of the traffic now carried on between the countries, in comparison with that formerly done, is also worthy of attentive observation. For example, the consumption of Lumber throughout the Republic increases enormously every year, and indeed all over the world. The home supply of it in the United States is fast disappearing; prices go up steadily; and here is the result, since the repeal of the Treaty, on the United States purchases from Canada, of that one article:

1866–'7.	Lumber exports to United States	------	$6,437,860
186"–'8.	"	" ------	6,727,006
1868–'9.*	"	" ------	1,208,446
1869–'70.	"	" ------	8,670,702
1870–'1.	"	" ------	8,264,837
1871–'2.	"	" ------	8,410,917
1872–'3.	"	" ------	11,134,956

*This great reduction, we assume, arose from the expectation of the lowering of the duty on lumber, which went into force the following year.

And the prices of lumber go up in prompt sympathy with the increasing demand, for the benefit of the lumber operators, who are in no need of sympathy in Canada, whatever they may be in the United States, but to the injury of numerous branches of industry in which wood forms an important element, and to the serious embarrassment of agricultural operations on prairie and other lands.

And so it is with fish, barley, peas, wool, hides, sheep, horses, and other articles of Canadian production, which cannot easily be got elsewhere. The demand from the United States is good and constant, notwithstanding the custom-house barriers, and the prices keep steadily up.

TRAFFIC DRIVEN FROM UNITED STATES CHANNELS.

But in regard to wheat, flour, provisions, and other articles of which the United States have a surplus as well as Canada, the effect of the duties upon them has been to send through Canadian channels, direct to the maritime Provinces, the West India Islands and Great Britain, a vast amount of products that were formerly sold to New York and Boston houses, and shipped to these same markets through American channels. Where two countries alongside of each other have each a large annual surplus of the same article, and that article is in world-wide demand, heavy duties against each other can hardly be effective. The stuff will find its way to market by some route or other.

CANADIANS NOW LARGE EXPORTERS OF WESTERN PRODUCTS.

The change in the other side of the account is equally instructive. The imports of domestic productions of the United States (as distinguished from foreign productions) into Canada, in the four years previous to the abrogation of the Treaty averaged $28,131,802 annually; but on its abrogation they immediately fell to $20,548,704 in 1867; and though they have since gradually recovered, so that the imports of the last seven years have averaged $25,649,349

per annum, this was due, not to a demand for home consumption, but to the increasing carrying trade of the Dominion with foreign countries. The necessity of direct intercourse with foreign markets for Canadian products, forced on Canadian merchants by the repeal of the Treaty, led on to a considerable traffic with those markets in American domestic products; hence we find in the imports of Canada from the United States in the last four years, such items as the following:

	1871-'72.	1872-'73.
Meats—fresh, salted and smoked,	$1,047,272	$1,227,870
Swine	612,506	1,265,813
Flour and meal	2,604,644	2,505,581
Indian corn	3,778,256	4,360,854
Wheat	4,450,404	6,894,247
	$12,493,082	$16,254,365

Large portions of these articles were purchased for foreign exportation, either in the raw state or after being manufactured in Canada. The general progress of this trade, though not consisting solely of American products, is pretty well indicated by the following official returns:

1868.	Exports of foreign goods				$4,196,821
1869.	"	"	"		3,855,801
1870.	"	"	"		6,527,622
1871.	"	"	"		9,853,033
1872.	"	"	"		12,744,125
1873.	"	"	"		9,405,910
	Total in six years				$46,583,312

The home consumption of American domestic products in the Canada market has therefore largely decreased since the repeal of the Reciprocity Treaty.

BALANCE OF TRADE NOW LARGELY AGAINST THE REPUBLIC.

But the most remarkable effect of the abrogation of the Reciprocity Treaty was the immediate change it produced

in the balance of trade between the countries. From the year 1820 up to 1866, a term of forty-six years, there were only (according to the United States Returns) five years in which the annual transactions between the Republic and the Provinces did not show a large cash balance against the Provinces. But four of these five exceptions were merely the result of War prices and the over-valuation usual in Free-entries. The entire interchange of traffic from 1820 to 1866 showed a cash balance in favor of the United States of $195,219,272. But this state of things came to a sudden end with the expiration of the Treaty; and the balances in favor of the Dominion have since been as follows:

In 1866–'67	$9,281,009
1867–'68	4,099,949
1868–'69	7,893,082
1869–'70	14,240,477
1870–'71	2,921,625
1871–'72	8,202,352
1872–'73	5,236,514
Total balance against U. S. in seven years	$51,875,008

DIVERSION OF TRAFFIC FROM UNITED STATES OCEAN PORTS.

There is still another feature of the changed relations between the countries well worthy of special note. The time was when the merchants of New York and Boston controlled a large proportion of the import and export traffic of the British Provinces; but that time passed away with the Reciprocity Treaty. Customs-duties, custom-house restrictions and examinations, consuls' certificates, and bonding entries and charges, with all their annoyances and delays, have acted severely against the traffic of these Ports in Canadian products, and the railways and canals leading from them, and forced the business into more northern channels.

Mr. E. H. Derby, Special Commissioner of the Treasury, in his official report to Mr. McCulloch of 1st January, 1866,

(page 81,) makes this statement: "The commerce of Boston affected by the Reciprocity Treaty exceeds $27,000,000 annually, namely: Imports from and exports to the Maritime Provinces, $6,000,000; outfits and returns in deep-sea fisheries, $11,000,000; imports of wool, grain, and animals across the frontier of Canada, and entered there, with returns, at least $10,000,000." We have no personal knowledge as to the accuracy of this estimate, but no better authority on the point than Mr. Derby could be desired. But if this was the annual interest of one United States Port affected by the Treaty in 1866, when the entire annual foreign commerce of the Province was little more than a hundred millions of dollars, how shall the gain of five or six millions to the U. S. treasury, levied on such necessaries of life as beef, flour, coal, lumber, &c., compensate the loss of driving away from the great marts of the Republic the lion's share of a traffic already amounting to two hundred and thirty-five millions per annum?

COMPARATIVE IMPORTANCE OF CANADIAN TRAFFIC IN SPITE OF RESTRICTIONS.

But with all these barriers and drawbacks in the way of natural and easy traffic, it is in the highest degree instructive to observe how important the commercial transactions between the Republic and Canada remain, even now, in comparison with those between the United States and countries more remote. Permit us to analyze the export traffic of the United States for the fiscal year ending 30th June, 1872, in order to show this. In that year the entire export traffic of the Republic with foreign countries, including the trade *in transitu*, was as follows:

Of home products	$549,219,718
Of foreign products	22,769,749
Of foreign products *in transitu* over the railways, &c., of the United States to foreign countries	31,385,320
Total U. S. export traffic, 1871–'72	$603,374,787

Of this vast traffic, Great Britain and her Colonies (omitting Canada and Newfoundland) took from the United States—		
Of home products	$329,224,701	
Of foreign products	8,844,872	
Of goods *in transitu*	3,420,332	
		341,489,905
Remaining export traffic		$261,884,882
Of this remaining traffic, the British North American Provinces took—		
Of home products	$27,774,091	
Of foreign products	4,984,989	
Of goods *in transitu*	24,098,114	
Total, B. N. A. Provinces	$56,857,194	
Germany took	43,483,003	
France and her possessions	34,704,730	
Spain and her possessions	27,577,792	
		$162,622,719
And all the rest of the world		$99,262,163

From these figures it will be seen that, in the year 1871–'2, Great Britain and her colonies (including Canada) took over 66 per cent. of the entire export traffic of the United States, and all the rest of the world but 34 per cent.

It will also be seen that, in that year, the Canadian Dominion and Newfoundland took $13,874,191 more of the export trade of the United States than did any country in the world except the British Empire; that she took $22,152,464 more of it than France and all her possessions, and more than double the amount taken by Spain and all her possessions.

A further analysis of the foreign commerce of the United States shows that, in the same year, the export traffic from the United States to the Dominion exceeded the entire exports of the United States to the Chinese Empire, the Russian Empire, Brazil, Mexico, Italy, Japan, Hayti, Ven-

ezuela, Denmark and her possessions, Chili, Portugal and her possessions, the Central American States, the Austrian Empire, the Argentine Republic, the Turkish Empire, the Sandwich Islands, Sweden, Norway, Liberia and Greece, all put together. The total export traffic of the United States to these twenty countries, in home products, foreign goods and goods *in transitu*, being $56,663,359, while that to Canada was $56,857,194.

A continued analysis of the United States official Returns shows that, while Canada in 1871–'2 thus swelled the export sales of the domestic and foreign goods of the United States, and the carrying trade of their ocean fleet and railways and canals, to an equal extent with the above twenty countries, the United States took that year from Canada, in return but $40,961,432, of which $4,614,502 was gold and silver, $1,180,790 goods of United States production returned to the States from Canada, and $691,299 effects of immigrants passing through Canada into the United States. But, on the other hand, while the twenty countries above named took, as above stated, but $56,663,359 of the export traffic of the United States, their import traffic into the United States was no less than $108,377,613—of which only $7,218,620 was gold.

COMPARATIVE DUTIES IN THE UNITED STATES AND DOMINION.

Again: of the entire purchases by Canada from the United States in 1871–'72 of home and foreign products, (excluding the traffic *in transitu* from the comparison,) articles to the value of $20,710,532 were admitted *free of duty*, and only on $12,048,548 was any duty paid. The total amount of duty levied was $2,216,215, or an average per centage on Canada's entire importations from the States (free and dutiable) of that year, of only 6¾ per cent. On the other hand, of the purchases by the United States from Canada in the same year, the articles admitted free of duty were to the value of but $9,329,881, and those subjected to duty $31,631,551. Indeed, as there were included among the free importations $4,619,502 of gold and silver coin and

bullion, $1,180,790 of United States productions returned to the States, and $686,800 of effects of immigrants passing through Canada into the States,—the free importations of merchandise from Canada by the United States were in reality but $2,842,789, against $31,631,555, on which customs duties were levied to somewhere about 25 per cent. on the entire importations of the year.

SAME FACTS DEMONSTRATED IN 1873.

And the same state of things is found in the year ending 30th June, 1873. The declared value of the entire export traffic of the United States with foreign countries was as follows:

Of home products		$649,132,563
Of foreign products		28,149,511
Of foreign products passing *in transitu* over the railways and canals of the States to foreign countries		40,099,185
Total United States export traffic 1872–'73,		$706,949,259
Of this vast export traffic Great Britain and her colonies received from the United States:		
Of home products	$420,939,283	
Of foreign products	18,639,171	
Of foreign goods brought over the railways and canals of the States	33,071,529	
		472,649,983
Balance to the rest of the world		$234,299,276

Of the above great amount of traffic taken from the United States by Great Britain and her colonies Canada took:

Of home products	$34,368,811
Of foreign products	4,203,745
Of goods imported over the railways and canals of the United States	26,784,184

Total export traffic of the United States to Canada	$65,356,740
Germany's share was	$68,724,421
France and her possessions took	36,083,266
Spain and her possessions took	29,257,121
And all the rest of the world took	100,234,468

Great Britain and her possessions, therefore, took 67 per cent. of the entire export traffic of the United States for 1872–'3, and all the rest of the world but 33 per cent.

With the exception of Germany, (whose traffic exceeded that of the Dominion by only $3,367,681,) Canada in this year was the largest customer of the United States outside the British Empire. She took $29,273,470 of United States export traffic more than was taken by France and her possessions; more than double what was taken by Spain and her possessions; and more than the Russian Empire, Japan, Italy, Brazil, Mexico, Hayti, Peru, the Argentine Republic, Venezuela, Sweden, Norway, Denmark and her possessions, Chili, China, Uruguay, the Austrian Empire, the Turkish Empire, the Central American States, Portugal and her possessions, the Sandwich Islands, Liberia and Greece all put together. These twenty-two countries took in all $64,901,145 of the export traffic of the United States, of which $12,397,315 was gold, while Canada alone took $65,356,740, of which only $4,269,181 was gold.

On the other, hand the United States in the same year imported from Canada but $43,809,070, of which $6,159,538 was gold, $1,211,155 products of the United States returned from Canada to the States, and $729,985 effects of immigrants passing through Canada into the United States. The actual importation of Canadian merchandise was therefore but $35,708,392, while the twenty-two countries above named, whose share of the United States export traffic of the year was but $64,901,145, including gold, or $52,593,830, excluding it, sent into the United States in the same year no less than $131,101,423, of which but $2,-

104,393 was gold. The "balance of trade" for the years 1872–'3, therefore, was $52,593,830 of export traffic from the United States into these twenty-two countries, and $128,997,030 of imports into the United States from them,—or $76,303,200 against the United States.

And the contrast is even more marked when the United States customs-duties on Canadian products are compared with those on the products of other countries whose commerce is of infinitely less moment than that of Canada. In the year 1872–'73, of the $35,708,392 of merchandise imported by the United States from Canada, only $4,334,285 was admitted free of duty, and on the remaining amount of $31,374,107 duties were levied to somewhere about 25 per cent. on the entire importations from Canada of that year. Canada, on the other hand, on her importations from the United States the same year, admitted merchandise to the value of $22,016,690 entirely free of duty, and levied duties on only $16,555,866, to the amount of but $2,923,795, or 8½ per cent. on the entire importations of merchandise for the year. How different was it with the twenty-two countries above named. Of their importations into the United States, $102,501,338 were received free of duty, and only on $29,200,085 was any duty charged.

It is not for us to criticise in any way the manner in which the United States choose to impose their duties. We merely mention these things to remind you of the disadvantageous position Canada occupies in her transactions with the Republic, in comparison with that of other countries whose transactions are not to be compared in extent or profit with those of the British Provinces.

When, with all these facts before them, Her Majesty's Advisers invite the Government of the United States to reconsider the whole commercial relations of the Republic and the Dominion, with a view to placing them on a friendly and durable basis of reciprocal advantage, the question

naturally presents itself, how it comes that, having prospered so well since the repeal of the Reciprocity Treaty of 1854, Canada now seeks for its restoration. The answer is as natural as the question. The population of the United States is forty millions, and that of the Dominion is but four millions. The boundary between them is for the most part but a surveyor's line, often unknown even to those who live beside it; and it is of the utmost importance to Canada that common interests and mutual good will should exist between the countries. And what so conducive to this end as commercial intercourse, generously carried on and mutually profitable? The people of Canada are not ignorant that a market near at hand is better than a distant one; and good as their present markets are, they would gladly have the old one in addition. They comprehend the barrier that custom-house restrictions throw in the way even of the existing traffic; and they seek to have these withdrawn. They are proud of their own St. Lawrence route, and intend to improve it to the uttermost for the benefit of the great West and their own; but would gladly use the Ocean Ports and other channels of commerce of the Republic, when freights and fares and friendly reciprocity draw them in that direction. And very great as have been the advantages always accruing to the United States from reciprocity, the Canadians can find only cause of hearty rejoicing at that, so long as they themselves continue to enjoy that moderate degree of prosperity with which Providence has blessed them. There is no mystery, no *arriere pensee*, in their desire that the commercial relations of the Republic and the Dominion should be placed on the most kindly and unfettered and mutually advantageous basis consistent with their respective existing obligations, and with that connection with Great Britain which the Dominion so happily enjoys.

It was with these views, and in this spirit, that the Canadian Administration availed itself of the opportunity presented by the twenty-second Article of the Treaty of Washington to represent to Her Majesty's Government the

advantage that would accrue to both countries by the substitution of a satisfactory Commercial Treaty in lieu of the money compensation to be paid (under arbitration) by the United states, for twelve years' enjoyment of the coast fisheries of the Dominion. It was felt that if the large value placed by the Canadian people on their Fisheries were not reasonably compensated by the results of the arbitration, a feeling of dissatisfaction might be engendered in the Provinces, not conducive to international harmony; and that if, on the other hand, an award were made equal to the confident anticipations of the Provinces, the good feeling restored in the United States by the Treaty of Washington might be sensibly impaired. To merge the matter in a general measure of mutual commercial concession, for the mutual advantage of both parties, and with injury or injustice to neither, seemed the fitting conclusion to be arrived at by the Governments of two great nations.

Her Majesty's Ministers were pleased to adopt the suggestion of the Canadian Government, and the matter having been brought under the attention of the Secretary of State, and through you, Sir, to the notice of the President of the United States, a friendly response was at once received, and the necessary measures instituted for opening formal negotiations.

In the interview which we had the honor to be favored with by you at the State Department, on the 28th March, we stated to you that Her Majesty's Government was prepared to accept a renewal of the Reciprocity Treaty of 1854 as a substitute for the arbitration provision of the Washington Treaty, in reference to the Canadian Coast Fisheries.

You thereupon suggested an enlargement of the scope of the Treaty, and we asked in what manner you would propose to enlarge it.

You replied that you had no proposition to make, but that you suggested, as topics for discussion: the enlargement of the Canadian canals, so as to facilitate the trans-

portation of the products of the great Western States to the Atlantic seaboard; and also the addition of certain classes of manufactures to the free list of the old Treaty.

We then stated that we were prepared to enter into an agreement for the enlargement of the Canadian canals.

In regard to the addition of certain classes of manufactures to the free list under the old treaty, we reminded you that the revenue of the Canadian Dominion was largely obtained from a fifteen-per-cent. *ad valorem* duty on manufactured goods, and that any articles made free in Canada under agreement with any foreign country must be made free to Great Britain. But we added that the Government of Canada was desirous to afford every facility for the encouragement of extended commercial relations between the Republic and the Dominion, in the belief that nothing could tend more to their mutual advantage, not only in a pecuniary sense, but as tending to foster and strengthen those friendly feelings that ought eminently to prevail between two peoples mainly derived from the same origin, speaking the same language, and occupying the geographic position towards each other of the United States and Canada. We conveyed to you the assurance of the Canadian Government, that acting in this spirit, and in the confidence that we would be met in the same spirit by the Government of the Republic, the assent of Canada will be heartily given to any measure calculated to promote the free and fair interchange of commodities, to reduce the cost of transportation, or conduce to the joint advantage of the two countries, so that it be not seriously prejudicial to existing industrial interests of the Canadian people.

In the spirit of this assurance, we invited you to suggest for discussion the classes of manufactures that you would desire to have embraced in the new treaty. This you declined to do; but you urged that we should indicate the enlargements of the old Treaty likely to be acceptable to both countries. Without acquiescing in the propriety of this course, we yielded to your wishes, and now proceed to fulfil our promise to do so.

SUGGESTIONS.

We propose that the new Treaty shall be for the term of twenty-one years,—to inspire confidence among business men investing their capital in such extensive enterprises as would naturally follow from the completion of a comprehensive Treaty.

We propose that the Treaty shall provide for the free admission into the United States, the Dominion of Canada and the island of Newfoundland, of the following articles, as under the treaty of 1854:

Animals and their products.

Animals of all kinds.
Butter.
Cheese.
Eggs.
Furs, undressed.
Hides, undressed.
Horns.
Lard.
Meats, fresh, smoked or salted.
Pelts.
Poultry.
Skins, undressed.
Tails, undressed.
Tallow.
Wool.

Products of the farm.

Breadstuffs of all kinds.
Broom-corn.
Cotton-wool.
Flax, unmanufactured.
Flour of all kinds.
Fruits, dried and undried.
Grain of all kinds.
Hemp, unmanufactured.
Plants.
Rice.
Seeds.
Shrubs.

Tobacco, unmanufactured.
Tow, unmanufactured.
Trees.
Vegetables.

Products of the forest.

Ashes.
Bark.
Firewood.
Lumber of all kinds, round, hewed or sawed, unmanufactured in whole or in part.
Pitch.
Tar.
Timber of all kinds, round, hewed or sawed, unmanufactured in whole or in part.
Turpentine.

Products of the mine.

Burr or grindstones, hewn, wrought or unwrought.
Coal.
Gypsum, ground or unground.
Marble in its crude or unwrought state.
Ores of all kinds of metals.
Slate.
Stone in its crude or unwrought state.

Products of the water.

Fish of all kinds.
Fish, products of, and of all other creatures living in the water.
Fish oil.

Sundries.

Dye-stuffs.
Manures.
Rags.

We propose the following additions to the above list of free articles:

Agricultural implements—to be defined.
Bark, extracts of, for tanning purposes.

Bath bricks.
Bricks for building purposes.
Earth ochres, ground or unground.
Hay.
Lime.
Malt.
Manufactures of iron or steel.
Manufactures of iron or steel and wood jointly.
Manufactures of wood.
Mineral and other oils.
Plaster, raw or calcined.
Salt.
Straw.
Stone, marble or granite, partly or wholly cut or wrought.

We propose that the enjoyment of the Canadian coast fisheries shall be conceded to the United States during the continuance of the new Treaty, in the manner and on the conditions provided under the Washington Treaty, except those in regard to the payment of money compensation for the privilege.

We propose that during the continuance of the Treaty the coasting trade of Canada and of the United States shall be thrown open to the vessels of both countries on a footing of complete reciprocal equality.

We propose that the Canadian canals, from Lake Erie to Montreal, be enlarged forthwith at the expense of Canada, so as to admit of the passage of vessels 260 feet in length, with 45 feet beam, with a depth equal to the capacity of the lake harbors.

We propose that, during the continuance of the Treaty, all the Canadian canals and the Erie, Whitehall, Sault Ste. Marie, and Lake St. Clair canals, in the United States, shall be thrown open to the vessels, boats, and barges of both countries on the same terms and conditions to the citizens of both countries; and that full power be given to tranship cargo from ships or steamers into canal-boats at any canal entrance, and also to tranship boats into ships or steamers at any canal outlet.

The free navigation of the St. Lawrence river having been conceded forever by Great Britain to the United States under the Washington Treaty, but the free navigation of Lake Michigan having been conceded for ten years only by the United States to Great Britain under the same Treaty, we propose that both concessions be placed on the same footing, free from restrictions as to reporting at any port in the United States other than the port of destination.

We propose that during the continuance of the Treaty vessels of all kinds, built in the United States or Canada, may be owned and sailed by the citizens of the other, and be entitled to registry in either country, and to all the benefits thereto pertaining.

We propose that a Joint Commission shall be formed, and continued during the operation of the Treaty, for deepening and maintaining in thoroughly efficient condition the navigation of the rivers St. Clair and Detroit, and Lake St. Clair, on whichever side of the river the best channel shall be found; the expense to be defrayed jointly by the contracting parties, by contributions corresponding to the commerce carried on in these waters by them respectively.

We propose that a Joint Commission shall be formed, at joint expense, and maintained during the operation of the new Treaty, for securing the erection and proper regulation of all Light-houses on the great lakes common to both countries, necessary to the security of the shipping thereon.

We propose that a Joint Commission shall be formed at joint expense, and maintained during the continuance of the Treaty, to promote the propagation of fish in the inland waters common to both countries, and to enforce the laws enacted for the protection of the fish and fishing grounds.

We propose that citizens of either country shall be entitled, during the continuance of the Treaty, to take out Letters Patent for new discoveries in the other country, on the same footing as if they had been citizens of that country.

We propose that the best method of discountenancing and punishing illicit trade between the countries shall be

the subject of consideration and co-operation by the Customs Authorities of the two countries.

That in case a Treaty of Commercial Reciprocity should not have been concluded before the end of the present session of Congress, the right of adjudication of the claim of Canada to compensation for the fisheries, under articles XXII to XXV of the Treaty of Washington, would in no degree be waived, and that in that event the fulfilment of the stipulation contained in those articles would be immediately proceeded with.

WASHINGTON, D. C., 27 *April*, 1874.

(Signed) EDWARD THORNTON,
" GEO. BROWN.